

Message Text

CONFIDENTIAL

PAGE 01 BANGKO 03588 01 OF 02 041343Z

47

ACTION EB-03

INFO OCT-01 SS-14 ISO-00 L-01 EA-06 NSC-05 NSCE-00 DODE-00

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R 040937Z MAR 75

FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 1254
INFO AMEMBASSY TOKYO

CONFIDENTIAL SECTION 1 OF 2 BANGKOK 3588

LIMDIS

E.O. 11652: GDS
TAGS: EAIR, THA
SUBJ: CIVAIR: SUGGESTED NEGOTIATION STRATEGY

REF: A. STATE 3236; B. BANGKOK 695; C. BANGKOK 534; D. STATE 30848

1. SUMMARY. WE BELIEVE WE ARE ONCOLLISION COURSE WITH RTG
IN CIVIAIR FIELD WITH RESULT THAT U.S. AIRLINE INTERESTS COULD
BE SEVERELY DAMAGED. STICKING POINT FOR RTG PROBABLY CONTINUES
TO BE GUAM- JAPAN ROUTE, BUT WE BELIEVE WEMIGHT BE ABLE TO
MAINTAIN, AND POSSIBLY IMPROVE, BANGKOK RIGHTS FOR U.S. AIR-
LINES BY OFFERING GUAM-FUKUOKA IN LIEU OF GUAM - TOKYO ROUTE
THAIS HAVE REQUESTED. EMBASSY COULD PORTRAY GUAM-FUKUOKA
OFFER TO THAI OFFICIALS AND PUBLIC AS LEGITIMATE USG EFFORT
TO MEET RTG ASPIRATIONS FOR GUAM- JAPAN SERVICE. SHOULD RTG
REJECT OFFER AND DECIDE INSTEAD TO CUTBACK U.S. SERVICES,
GUAM-FUKUOKA OFFER WOULD AT LEAST GIVE US PLATFORM ON WHICH
TO STAND IN SEEKING TO PERSUADE MFA AND OTHER GOVERNMENT
LEADERS TO RESTRAIN, AND HOPEFULLY OVERRULE, DR. SIRILAK.
END SUMMARY.

2. IF U.S. AIRLINES ARE PREPARED TO LIVE WITH CONSEQUENCES
OF USG REFUSAL TO RETURN TO NEGOTIATING TABLE HERE(REF
D), WE ASSUME THAT IS THE ROUTE WE WILL HAVE TO FOLLOW.
HOWEVER, WE CONTINUE TO BELIEVE SUCH ACTION WILL PUT US
CONFIDENTIAL

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PAGE 02 BANGKO 03588 01 OF 02 041343Z

ON COLLISION COURSE WITH RTG WITH RESULT THAT OUR AIRLINE

INTERESTS HERE COULD BE SEVERELY DAMAGED. WE HAVE NO DOUBT, AS WE FEAR PANAM DOES, THAT UNDER SECRETARY OF COMMUNICATIONS SIRILAK, WHO SITS ON THAI INTERNATIONAL'S BOARD OF DIRECTORS, HAS THE AUTHORITY AND THE INTENTION TO COME DOWN HARD ON U.S. AIRLINE OPERATIONS IF RTG'S MINIMUM OBJECTIVES ARE NOT MET BY USG. ALSO, WE BELIEVE THAT SHOULD CONFRONTATION BECOME A FACT OF LIFE, ANY SUBSEQUENT AGREEMENT WITH THE RTG TO RESTORE SERVICES WOULD PROBABLY BE ON TERMS FOR LESS FAVORABLE THAN OUR AIRLINES ENJOY HERE NOW. IN ORDER HELP DEPARTMENT MAKE DECISION, WE OFFER FOLLOWING THOUGHTS.

3. AIR SIAM, WHICH IS PRIVATE AIRLINE, IS HAVING FINANCIAL PROBLEMS (BANGKOK 2488), AND PROBABLY NEEDS ACCESS TO LONG-HAUL ROUTES TO EUROPE IN COMPETITION WITH THAI INTERNATIONAL IN ORDER TO SURVIVE. MANY THAI BUREAUCRATS, AMONG THEM DR. SIRILAK, OPPOSE DESIGNATING AIR SIAM ON THAI INTER'S ROUTES. BUT SIRILAK IS UNDER PRESSURE FROM OTHER BUREAUCRATS, AMONG THEM POWERFUL DIRECTOR OF BUREAU OF BUDGET WHO IS MAJOR STOCKHOLDER IN AIR SIAM, AND FROM MEMBERS OF ROYAL FAMILY, TO SECURE NEW ROUTES FOR AIR SIAM. STRENGTH OF PRESSURE IS REFLECTED IN FACT THAT IN NOVEMBER TALKS ONLY SERIOUS ISSUE PREVENTING AGREEMENT WAS USG REFUSAL TO GRANT TOKYO-GUAM RIGHTS WHICH RTG SEEKS FOR OPERATION BY AIR SIAM.

4. TECHNOCRATS HAVE PROPOSED MERGER OF TWO AIRLINES, WHICH IS MAJOR AIR SIAM OBJECTIVE BUT ANATHEMA TO THAI INTERNATIONAL. OBVIOUS WAY FOR DR. SIRILAK TO REDUCE PRESSURE ON HIMSELF IS TO SEEK ALTERNATIVE ROUTES FOR AIR SIAM. IN THIS SEARCH HE IS PREPARED FOR CONFRONTATION WITH USG, SINCE THAI INTERNATIONAL HAS NO U.S. ROUTES, AND AIR SIAM MIGHT WELL SUFFER FATAL FINANCIAL DAMAGE AT OUR HANDS IF RTG ASSAULT ON PANAM SERVICES TRIGGERS RETALIATION BY USG. HOWEVER, FOR PRACTICAL POLITICAL PURPOSES CONFRONTATION MUST APPEAR TO STEM FROM USG INTRANSIGENCE, AND DR. SIRILAK HAS FOUND FORMULA IN THE 10-1 REVENUE ADVANTAGES OUR AIRLINES ENJOY HERE BALANCED AGAINST OUR REFUSAL TO GRANT TOKYO-GUAM RIGHTS TO RTG.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BANGKO 03588 01 OF 02 041343Z

MOREOVER, REDUCTION IN LEVEL OF U.S. AIRLINE SERVICES HERE MIGHT WELL RESULT IN DIVERSION OF SOME TRAFFIC TO THAI INTERNATIONAL; SO SIRILAK WOULD WIN EITHER WAY. UNDERPINNING ALL THIS ARE GENUINE FEELINGS ON THE PART OF DR SIRILAK AND OTHER THAIS THAT OUR AVIATION BILATERAL IS ANOTHER OF THE "UNEQUAL TREATIES" THAILAND HAS BEEN IN PROCESS OF AMENDING FOR MANY YEARS.

5. WE ARE NOT CERTAIN THAT THAIS WOULD BE WILLING TO SETTLE NOW, AS THEY WOULD HAVE LAST NOVEMBER, FOR GUAM-JAPAN AND SIAM-AMERICAN SAMOA RIGHTS IN EXCHANGE FOR RETENTION, AND HOPEFULLY EXPANSION, OF U.S. AVIATION RIGHTS HERE. FACT IS, ABILITY OF RTG TO CUT OFF PAA'S FLIGHTS 841/842/ WITH IMPUNITY IN SEPTEMBER 1974 (AND TO REJECT OUR REPEATED REQUESTS FOR "PERMISSION" TO RESUME THESE FLIGHTS), TOGETHER WITH RAPID CAPITULATION BY PAA TO LABOR PRESSURES HERE(REF C) HAVE REINFORCED THAI BELIEFS REGARDING HIGH VALUE U.S. AIRLINES PLACE ON BANGKOK RIGHTS. AS RESULT, PRICE FOR EVEN MAINTAINING STATUS QUO FOR OUR CARRIERS MAY WELL HAVE GONE UP SINCE NOVEMBER. WE ARE CERTAIN THE PRICE HAS NOT GONE DOWN, AND ARE CONFIDENT THAT IN ABSENCE ADEQUATE QUID PRO QUO, RTG WILL NOT AUTHORIZE ADDITIONAL FREQUENCIES PANAM HAS SCHEDULED FOR EARLY APRIL (BANGKOK 2687).

6. DESPITE UNCERTAINTIES, WE SHOULD STILL ASSUME MINIMUM OBJECTIVES ON WHICH RTG IS PREPARED TO DO A DEAL ARE GUAM-JAPAN AND GUAM-AMERICAN SAMOA ROUTES. BASED ON THAT ASSUMPTION, WE SHOULD LOOK ON CAB'S AMENDMENT OF AIR SIAM'S 402 PERMIT IN JANUARY 1975 TO INCLUDE FUKUOKA AS IMPORTANT NEW ELEMENT IN USG-RTG CIVAIR PICTURE, AND SHOULD SEEK TO CAPITALIZE ON THAT FACT. THUS, IF, AS WE BELIEVE TO BE THE CASE, A GUAM-JAPAN ROUTE FOR RTG IS THE PRICE PAN AMERICAN MUST PAY TO RETAIN BASICALLY UNRESTRICTED ACCESS TO BANGKOK, WE SHOULD AT APPROPRIATE TIME OFFER THAIS GUAM-FUKUOKA ROUTE AS SURROGATE FOR GUAM-TOKYO.

CONFIDENTIAL

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PAGE 01 BANGKO 03588 02 OF 02 041347Z

47

ACTION EB-03

INFO OCT-01 SS-14 ISO-00 L-01 EA-06 NSC-05 NSCE-00 DODE-00

CIAE-00 INR-05 /035 W

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R 040937Z MAR 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 1255

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 2 OF 2 BANGKOK 3588

LIMDIS

7. SHOULD RTG REJECT GUAM-FUKUOKA OFFER, USG COULD WITH JUSTICE POINT TO INCONSISTENCY OF RTG POSITION WHICH (A) ASKS USG TO PERMIT AIR SIAM TO OPERATE TO HONOLULU-LOS ANGELES VIA FUKUOKA, BECAUSE SLOT TIMES FOR SUCH SERVICE NOT AVAILABLE AT TOKYO, THEN (B) INSISTS THAT USG GRANT RTG NEW ROUTE FOR AIR SIAM TO TOKYO FROM U.S. TERRITORY (GUAM). IN SUM, THEY CAN'T HAVE IT BOTH WAYS.

8. WE BELIEVE EMBASSY COULD DEFEND GUAM-FUKUOKA OFFER TO FOREIGN MINISTRY AND OTHER RTG OFFICIALS AND TO PUBLIC OPINION HERE AS LEGITIMATE EFFORT BY USG TO MEET THAT ASPIRATIONS FOR GUAM-JAPAN ROUTE (WHILE PAA WOULD STILL BE SHIELDED AGAINST POTENTIAL COMPETITIVE IMPACT ON GUAM-TOKYO). THIS OFFER WOULD MEET MINIMUM POLITICAL NECESSITIES OF OUR SITUATION, A LUXURY WE HAVE NOT ENJOYED IN THE PAST. IN PRACTICAL TERMS IT WOULD GIVE US A PLATFORM ON WHICH TO STAND IN SEEKING TO PERSUADE OFFICIALS IN MFA AND OTHER MINISTRIES TO TRY TO OVERRULE SIRILAK.

9. SHOULD RTG NONTHELESS REMAIN COMMITTED TO QUEST FOR GUAM-TOKYO ROUTE, IT WOULD BE UP TO PAA (AND FLYING TIGER) TO DECIDE WHETHER TO RISK LOSING SOME OR ALL BANGKOK SERVICES, AND ABANDON HOPES FOR ACQUIRING FIFTH FREEDOM CARGO RIGHTS HERE, IN ORDER TO KEEP AIR SIAM OUT

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PAGE 02 BANGKO 03588 02 OF 02 041347Z

OF GUAM-TOKYO ROUTE (WHICH, IT SHOULD BE NOTED , JAPANESE MIGHT MERE DIFFICULT OR IMPOSSIBLE FOR AIR SIAM TO OPERATE, IF ACQUIRED, AS RESULT TOKYO SLOT TIME PROBLEM). ALSO, THE SLOT TIME PROBLEM ASIDE, WE THINK RTG WOULD ACCEPT REASONABLE RESTRICTIONS ON OPERATION OF GUAM-JAPAN ROUTE. FINALLY RE REF D, PARA 3, WE FEEL CONFIDENT THAIS HAVE NO RPT NO DEEP INTEREST IN ADDITIONAL U.S. POINTS, AND FAIL TO SEE THAT OUR POSITION OR INTERESTS WOULD BE COMPROMISED BY TESTING THE WATER TO SEE WHETHER RTG WOULD DO A REASONABLE DEAL IF OFFERED JAPAN-GUAM TRAFFIC RIGHTS.

10. WE UNDERSTAND, ANDSYMPATHIZE WITH, PAA'S DESIRE TO KEEP AIR SIAM OUT OF GUAM-JAPAN MARKET, BUT IT WOULD ALSO BE AGREEABLE IF AER LINGUS, EL AL, AND OTHER FOREIGN AIR-LINES COULD BE KEPT OUT OF U.S. MARKET. FACT IS, UNLIKE SITUATIONS INVOLVING AER LINGUS AND EL AL, FOR EXAMPLE, WHICH OUTEARN COMPETING U.S. AIRLINES BY WHOPPING MARGINS WHILE THEIR GOVERNMENTS USE ALL MEANS TO HAMPER U.S. AIRLINES, OR AIRLINES, SCHEDULED AND SUPPLEMENTARY, ENJOY IN BANGKOK A COMBINATION OF ACCEPTABLE OPERATING

CLIMATE AND FAVORABLE REVENUE AND PAYMENT BALANCES PROBABLY UNEQUALED ANYWHERE IN THE WORLD. THE THAIS KNOW THIS, AND ARE DETERMINED NOT ONLY TO OBTAIN ADDITIONAL ROUTE RIGHTS FOR THEIR CARRIERS AS QUID PRO QUO, BUT TO "EQUALIZE" A "TREATY" THEY VIEW AS HIGHLY INEQUITABLE.

11. IF COURSE OF ACTION PROPOSED IN PARA 5-10 IS FEASIBLE IN WASHINGTON CONTEXT, WE BELIEVE USG COULD, AND SHOULD, (A) SEEK TO EXTRACT FROM RTG FORMAL COMMITMENT FOR AUTHORITY, SUBJECT TO EXPOST FACTO CONSULTATION, TO INCREASE COMBINATION CAPACITY AND FREQUENCIES, SUCH AS PAA SCHEDULE ENVISIONED FOR APRIL 9, ON BASIS AIRLINE MANAGEMENT JUDGEMENT AND (B) SEEK REMOVAL, OR AT LEAST RELAXATION TO SIGNIFICANT DEGREE, OF RESTRICTIONS ON FIFTH FREEDOM CARGO OPERATIONS BY U.S. AIRLINES HERE. (WE COULD ALSO DISCUSS TRAFFIC QUOTAS, BUT THAIS WANT THEM FOR POLICY REASONS, AND QUOTAS HAVE PRACTICAL EFFECT.) WE WOULD ALSO LIKE TO SEE FINAL SETTLEMENT INCLUDE MORATORIUM ON ROUTE REQUESTS FOR, SAY, MINIMUM OF 2-3 YEARS.

12. AS NEXT IMMEDIATE DEVELOPMENTS, WE ANTICAPTE (1)
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PAGE 03 BANGKO 03588 02 OF 02 041347Z

PANAM REQUEST FOR ADDITIONAL FREQUENCIES BEGINNING IN APRIL, BASEDIN PART ON TA'S WITHDRAWAL FROM THIS MARKET, WILL BE FLATLY REJECTED BY RTG AND (2) RTG WILL INSTEAD SUGGEST DATE FOR THIRD ROUND OF NEGOTIATIONS, IN ACCORDANCE WITH DEPARTMENT'S PROPOSAL INJANUARY (STATE 19298), AND EXPRESS WILLINGNESS TO DISCUSS ADDITIONAL FREQUENCIES AT SUCH MEETING.

13. PERIOD IMMEDIATELY AHEAD WILL BE EXTREMELY SENSITIVE AS NEW GOVERNMENT FACES STRONG PRESSURE FOR WITHDRAWAL US MILITARY (GOVERNMENT POLICY STATEMENT JUST ISSUED PROVES FOR TOTAL WITHDRAWAL WITHIN 18 MONTHS), CANCELLATION TEMCO TIN MINING CONCESSION, AND OTHER MANIFESTATIONS OF NATIONALISM. CIVAIR RELATIONS ARE POSSIBLY MOST VULNERABLE TO ULTRA-NATIONALIST SENTIMENTS BECAUSE OF DEMONSTRABLE IMBALANCE BETWEEN US CARRIER REVENUES AND THAI REVENUES. IN WEIGHING FINAL USG CIVAIR POSTURE, DEPARTMENT SHOULD CONSIDER IMPACT OUR RIGID POSITION ON OVERALL US INTERESTS IN THAILAND DURING ITS TURBULENT TRANSITION.
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